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CORPORATE SOCIAL RESPONSIBILITY OF MSME IN INDIA: OPPORTUNITY AND CHALLENGES

S. Rajamohan* and G. Hudson Arul Vethamanikam

Alagappa Institute of Management, Alagappa University, Karaikudi – 630 004.

Abstract

The International Organization for Standardization, known as ISO, strategic advisory group on Corporate Social Responsibility (CSR) describes it as “a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.” CSR is not a new idea. However, CSR has never been more prominent on the corporate agenda than it is today. CSR was widely discussed in the last forty years of the twentieth century; the idea that business has societal obligations was evident at least as early as the twentieth century. The Small and Medium Enterprises (SMEs) as well as Large scale sectors units of business and it is a dominant part of Indian industry and contributing to a significant proportion of production, exports and employment. In this unit it differs from one country to another and/or time to time another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country.

Keywords: CSR, Challenges and Issues, Micro, Small and Medium Enterprise.

1. Introduction

Corporate Social Responsibility has always been a major influence in the business world and is growing in importance as it is increasingly supported by business models and standards. It includes such elements as environmental protection, social equity and economic growth, has a strong empathy with the founding principles of Total Quality Management (TQM). The Corporate Social Responsibility consists of the following: Human rights, Workplace and employee issues, including occupational health and safety, Unfair business practices, Organizational governance, Environmental aspects, Marketplace and consumer issues, Community involvement and Social development.

2. Corporate Social Responsibility

The International Organization for Standardization, known as ISO, strategic advisory group on Corporate Social Responsibility (CSR) describes it as “a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.”

Corporate Social Responsibility, which includes such elements as environmental protection, social equity and economic growth, has a strong affinity with the founding principles of quality management. With CSR being adopted by many as the means of assuring values based corporate governance, the quality community now has the opportunity and responsibility to take leadership in promoting ethical business practices and driving CSR to regain consumer confidence.

3. Segments-Wise Performance of SSI units

The small scale sector (SSI) forms a dominant part of Indian industry and contributing

*Corresponding author: S. Rajamohan

Tel.: +91-9787969692

E-mail: g.hudson55@gmail.com

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to a significant proportion of production, exports and employment. In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities

The Small Scale Industry (SSI) varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country. In SSI for the economic growth for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. In terms of value added this sector accounts for about 40 percent of the value added in the manufacturing sector. Food products industry has ranked first in generating employment, providing employment to 4.82 lakh persons (13.1 percentages). The next two industry groups were non-metallic mineral products with employment of 4.46 lakh persons (12.2 percentages) and Metal products with 3.73 lakh persons (10.2 percentages).

The SSI are includes Chemicals & chemical products, Machinery parts and except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9 percent to 5 percent, the total contribution by these eight industry groups being 49 percent. In all other industries the contribution was less than 5 percent. The production of small scale industries sector plays a vital role for the growth of the country. It contributes 40 percent of the gross manufacture to the Indian economy.

4. SSI and CSR

Small and medium enterprises (SMEs) and micro-enterprises constitute over the 95 percentages of all enterprises and account for two thirds to one half of total non-farm employment and Gross Domestic Products (GDP) worldwide. The Corporate Social Responsibility is primarily

regarded as the province of large corporations who have deep pockets. Very little data is available on the work being done by SME's in this area primarily because not much work is being done by them, but the fact is that small businesses have a heightened requirement for good, multi-skilled employees, strong personal relationships and successful local engagement. The argument is that SMEs lack the power to influence governments, dictate standards or financial resources. This Paper looks into the various perceptions of CSR by SME's in India.

One of the peculiarities about Small and Medium Enterprise in India is that their functioning is centered around the role of the owner who in most cases heads the organization and their CSR policies are centered around his knowledge and interests. It all boils down to the personal interest of the owner. None of the SME's sees any clear benefits by following or practicing CSR. Very few companies had social reports, code of conduct or stated ethical practices. But the study points that many of SME's are involved in some development activity or the other.

5. Importance of CSR in Businesses Firms

The each and every business should be need the CSR then will be get goodwill from the public and more benefits are as given below.

- Reducing and limiting litigation.
- Protecting brand image.
- Improving customer satisfaction.
- Reducing absenteeism and employee turnover and increasing the ability to retain talented employees.

6. Problems Faced by MSME-SCALE Industries

The small-scale industries, despite their importance for the economy, are not contributing to their full towards the development of the country. It is because these industries are beset with a number of problems in regard to their operations. These problems are discussed below.



6.1. Inadequate Finance

A serious problem of these industries is in respect of credit, both for long-term and short-term purposes. This is evident from the fact that the supply of credit has not been commensurate with their needs associated with fixed and working capital. Very often the credit has not been timely. Its delayed availability has been a major factor in causing much of industrial sickness in this sector. The credit situation is particularly hard for the very small or tiny units.

6.2. Difficulties of Marketing

The small-scale industries also faced the acute problem of marketing their products. The problems arises from such factors as small scale of production, lack of standardization of products, inadequate market knowledge, competition from technically more efficient units, deficient demand, etc. Apart from the inadequacy of marketing facilities, the cost of promoting and selling their products too is high. The result is large and increasing subsidies which impose heavy burden on the government budgets.

6.3. Shortage of Raw Materials

Then there is the problem of raw materials which continues to plague these industries. Raw materials are available neither in sufficient quantity, nor of requisite quality, nor at reasonable prices. Being small purchasers, the producers are not able to undertake bulk buying as the large industries can do. The result is taking whatever is available, of whatever quality and at high prices. This adversely affects their production, products, quality and costs.

6.4. Low-Level Technology

The methods of production which the small and tiny enterprises use are old and inefficient. The result is low productivity, poor quality of products and high costs. The producers for lack of information know very little about modern technologies and training opportunities which concerns them. There is little of research and development in this field in the country.

6.5. Competition from Large-Scale Industries

Another serious problem which these industries face is that of competition from large-scale industries. Large-scale industries which uses the latest technologies with access to many facilities in the country can easily out-priced and out-sell the small producers. With the liberalization of the economy in recent years, this problem has become all the more serious.

7. Importance of Large Scale Industries

Every country needs exploring of coal, iron and steel, exploring of oil and its purification, heavy machineries, heavy electrical equipment's, heavy chemicals, ships and aero planes, industries of heavy and basic industries for its development. All these industries help to develop agriculture, transport, communication facilities and other industries. It means development of large scale industries is almost essential for the development of heavy and basic industries.

8. Opportunity of MSME in India

The opportunities in the micro, small, medium-scale sector are enormous due to the following factors such as given below.

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Reservation for Exclusive Manufacture by small scale sector
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth

These are the very essential for the all kinds business as well as improvements of



economic positions then Growth is Requirements for ancillary units due to the increase in number of Greenfield units coming up in the large scale sector. Small industry sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification.

9. MSME Sector

The MSME sector is taking limited steps in formulating growth strategies and moving along with pace of GDP. In addition, the sector also adopts a reactive strategy approach where the sector reacts according the current economic situation of the country. The productivity and growth becomes limited for the moment and growth falls back again. Therefore, the sector needs to adopt a proactive strategy approach where the government should prepare a medium to term strategy to sustain themselves in the changing economic scenario and progress beyond the current GDP growth. MSMEs constitute over 90 per cent of total enterprises in most of economies and are credited with generating high rates of employment and account for a major share of industrial production and exports. In India too, MSMEs play a pivotal role in the overall industrial economy of the country.

10. Conclusion

Micro, Small and Medium Enterprises including village/rural enterprises are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by India since the Industries (Development and Regulation) Act, 1951 have laid stress on MSMEs as a means to improve the country's economic conditions. The Small-Scale Industries gathered momentum along with industrialization and economic growth in India. The SSI today constitutes a very important segment of the Indian economy as they help in dispersal of industries, rural development, and the decentralization of economic power.

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